



State of New Mexico  
Educational Retirement Board

701 Camino de los Marquez Santa Fe, New Mexico 87505  
Toll Free 1(866) 691-2345 Main Office (505) 827-8030



**MINUTES OF THE**  
**NEW MEXICO EDUCATIONAL RETIREMENT BOARD**  
**TELEPHONIC/VIRTUAL MEETING**

**August 20, 2021**

**1. a. ROLL CALL: QUORUM PRESENT**

A Regular Meeting of the New Mexico Educational Retirement Board was called to order on this date at 9:00 a.m. via teleconference. A quorum was established following roll call.

Members Present:

Mr. H. Russell Goff, Vice Chairman

Ms. Mary Lou Cameron

The Hon Tim Eichenberg, New Mexico State Treasurer [left at 9:45 a.m.]

Dr. Donald W. Duszynski

Dr. Matías Fontenla

Mr. Larry Magid

Mr. Mario Suazo

Members Excused:

None.

Staff Present:

Mr. Rick Scroggins, Interim Executive Director

Mr. Lawrence Esquibel, Deputy Director

Mr. Bob Jacksha, Chief Investment Officer

Ms. Sara Brownstein, CFO

Ms. Kay Chippeaux, Deputy CIO, Public Securities & Credit

Ms. Mariana LaRoche, Communications & Outreach Director

Ms. Karla Leyba, Member Services Bureau Chief



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Ms. Monica Lujan, Member Services Director  
Ms. Megan Mannila, Budget & Procurement Manager  
Mr. Steve Neel, Deputy CIO, Alternative Assets  
Ms. Susanne Roubidoux, General Counsel  
Mr. Nathan Sax, Fixed Income Portfolio Manager

Others Present:

Mr. Allan Martin, Investment Advisor, NEPC  
Ms. Judith Beatty, Board Recorder

b. Approval of Agenda

Item 5 (Investment Reports) was amended to hear item d first.

**Mr. Magid moved for approval of the agenda, as amended. Dr. Duszynski seconded the motion, which passed unanimously by roll call vote. [Ms. Cameron was not present during the vote.]**

c. Approval of Minutes: June 25, 2021

**Mr. Magid moved approval of the Minutes of the June 25 meeting, as submitted. Ms. Cameron seconded the motion, which passed unanimously by roll call vote. [Ms. Cameron and Mr. Suazo were not present during the vote.]**

d. Introduction of Guests

Chairman Goff welcomed staff and guests.

## **2. SWEARING IN OF NEW BOARD MEMBERS**

None.

## **3. CONSENT AGENDA: BOARD TRAVEL**

No requests.

## **4. DISCUSSION OF BOARD SELF-ASSESSMENT: RUSSELL GOFF, VICE CHAIR**

Vice Chair Goff reported that only four of seven active board members responded to the survey, which did not give a clear picture. With the potential of  
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five new members on this board, he would recommend scheduling a series of work sessions beginning this fall.

The work sessions would address the survey responses, organizing the board, board training, developing a plan that needs to be submitted to the legislature by next summer, and other matters, including issues that the NMERB will be facing this coming year.

## 5. INVESTMENT REPORTS: BOB JACKSHA, CIO

### d. Performance Reporting Presentation

NEPC consultant Allan Martin made this slide presentation [pp. 129-156]

#### a. June 2021 Quarterly Performance Report

Mr. Martin presented the quarterly report, with the following highlights:

- Over the past 5 years, the fund returned 10.6 percent per annum.
- Over the past 3 years, the fund returned 11.0 percent per annum.
- For the year ending June 30, 2021, the fund experienced a net investment gain of \$3.6 billion, which includes a net investment gain of \$1.2 billion during the quarter. Assets increased from \$12.8 billion 12 months ago to \$15.8 billion on June 30, 2021, with \$519.6 million in net distributions during the year. The fund returned 28.8 percent, outperforming the policy index by 448 basis points and ranking in the 27th percentile of its peers.

#### b. Investment Committee Report

Mr. Jacksha reported that the Investment Committee met at 8:30 this morning:

- Reviewed the December quarterly private equity report.
- Accepted the Proxy Voting Report.
- Reviewed the quarterly commission report, which is an informational item.

#### c. Staff Selection Committee Report

Mr. Neel and Ms. Chippeaux reviewed action taken at the Staff Selection Committee meetings of July 15 and August 19:

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- Bridgewater, All Weather (Diversifying Assets): Renewed the existing contract for four more years. This is a risk parity strategy that seeks to allocate risk rather than capital based on assets. NNERB has \$472 million committed to this strategy.
- Bridgewater Pure Alpha (Diversifying Assets): Renewed the existing contract for four years. Pure Alpha is a global tactical asset allocation that seeks to extract alpha opportunities globally. NNERB has \$300 million committed to this strategy.
- BlackRock (Non-US Developed Markets Equity): Approved a two-year extension of the investment manager contract. BlackRock manages \$650 million, and the plan overall holds 5 percent in Non-US Developed Markets Equity.
- US Agriculture (Natural Resources): Voted to increase the position in the Separately Managed Account with US Agriculture. This action brings the total committed capital to this manager to \$125 million.
- PGIM (Emerging Markets Debt): NNERB has 2 percent committed to Emerging Markets Debt, with two complementary managers in that space. PGIM actively manages a Separately Managed Account for NNERB. The contract for services expires early next year, and the committee approved a two-year extension. PGIM has outperformed their benchmark with very good risk management statistics.
- Longford Capital Fund III (Diversifying Assets): Approved a commitment of \$110 million. This is the NNERB's first commitment to litigation finance.
- Raith NNERB Real Estate Credit (Real Assets): Approved an additional commitment of \$50 million to this Separately Managed Account, bringing the total to \$100 million. This relationship dates back to 2013.
- RAM Realty Partners Fund VI (Real Estate): Approved a \$75 million commitment. This relationship dates back to 2008-2009.
- BlackRock Tactical Opportunities—Sandia Series, L.P./Top Off (Private Equity): Added \$40 million to this fund, which is the NNERB's co-investment sleeve. This brings the total commitment to the co-investment sleeve to \$100 million. The economic structure on this is very favorable as opposed to a conventional private equity structure.
- Brookfield U.S. Real Estate Securities (Real Estate): Approved renewal of this Separately Managed Account for an additional four-year term. This relationship dates back to 2011.



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Vice Chair Goff commended Mr. Jacksha, Mr. Neel, and Ms. Chippeaux for an outstanding year. The discussion yesterday at the committee on Pure Alpha was one of the most thorough he has seen on an investment in a long time.

e. Other Investment Reports

Mr. Jacksha stated that the ending valuation of \$15.8 billion in the June performance report would change somewhat once the audited financials are completed because of the lag in private investment reporting. For the audit, the NMERB wants to wait until the June 30 valuation in October, when the NMERB may have all or most of the reports. He would expect that the valuation number would go up by \$100 to \$200 million.

Mr. Jacksha reported on his presentation at the LFC in July, when the members reviewed the March figures and the discussion turned to concerns about board governance. The Speaker of the House was present, and suggested some legislative changes might be necessary, and the LFC chair concurred. Mr. Jacksha said he assured LFC members that he thought the board was working very smoothly and no changes were necessary, but it is possible this issue may arise in the future.

Mr. Scroggins said an IPOC meeting is coming up sometime in October, and it would be very helpful if some board members could attend because the IPOC had indicated that they want NMERB to discuss board structure at that meeting.

Mr. Jacksha said he attended an IPOC meeting in late July, when he presented on May performance and was asked about the NMERB's funding status. As the latest data is from June 2020, Mr. Jacksha clarified to IPOC members that the leadership had previously instructed the NMERB to provide a report sometime in 2022 and present suggestions at that time.

Mr. Scroggins reported on his presentation at the Council of University Presidents, who were interested in the NMERB's legislative plans, but were aware of the report that it had to do. Mr. Scroggins said it is likely the NMERB will not bring any legislative package forward until the 2023 or 2024 session given the contribution rate increases that are scheduled in the interim.

Mr. Jacksha said he also responded to questions from the LFC about the board's lawsuit against the Governor and DFA by reading them the section of statute that states: "The amount of salaries and fees to be paid by the board shall be fixed by the regulations of the board." He cited an example to the committee about



a position on investment staff that has been vacant for more than a year because the salary is below market.

Mr. Jacksha reported that the contracting for the overlay manager was completed in June. The manager, Parametric, had to go out and contract with some broker-dealers on futures contracts, but they are now active as of July 1.

## **6. BUDGET: SARA BROWNSTEIN, ASD DIRECTOR/CFO; MEGAN MANNILA, BUDGET & PROCUREMENT MANAGER**

Ms. Brownstein reviewed the FY23 appropriation request report, which includes actual expenditures for the FY21 fiscal year, the FY22 operating budget, and proposed increases for the period beginning July 1, 2022.

Ms. Brownstein and Ms. Mannila presented a breakdown of the FY23 \$32,617,200 appropriation request, a 15.2 percent increase over the previous year.

- Personal Services/Employee Benefits: \$666,800 increase or 8.3 percent.
- Contractual Services: \$3,540,000 increase or 19.2 percent.
- Other Costs: \$101,000 or 5.6 percent.

**Ms. Cameron moved for approval of the FY23 appropriation request, as presented. Dr. Duszynski seconded the motion, which passed unanimously by roll call vote.**

## **7. DISABILITY RETIREMENTS: KARLA LEYBA, MEMBER SERVICES BUREAU CHIEF**

Ms. Leyba presented the June-July status report of disability claims. She reported that there were 11 pending receipt of final information, 84 closed cases, and 17 pending periodic review, for a total of 112.

**Dr. Duszynski moved to accept the Disability Retirement Report, as presented. Ms. Cameron seconded the motion, which passed unanimously by roll call vote. [Mr. Suazo was not present during the vote.]**

## **8. MEMBER SERVICE REPORTS: MONICA LUJAN, MEMBER SERVICES DIRECTOR**

- a. Age & Service Retirements



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Ms. Lujan reported on the June-July period. During the bimonthly period, there were two disability applications (under age 60) processed, 45 reciprocity applications, and 531 regular retirement applications, for a grand total of 578.

**Dr. Duszynski moved for approval of this report, as presented. Dr. Fontenla seconded the motion, which passed by unanimous roll call vote.**

b. Retirement Season Update

Ms. Lujan stated that the July 2021 season ended with a record number of 1,269 applications, a 40 percent increase over 2020, which was an average year for NMERB. Of the 1,269 applications, 71 percent were put on payroll on July 1, and 16 percent in August. Another 11 percent are pending final documentation.

c. Staffing challenges

Ms. Lujan highlighted challenges staff is currently facing:

- Of 27 FTEs in Member Services, 7 positions are vacant, as follows: 2 in Payroll; 1 in Refunds; 1 in Inactive Data Unit; and 3 in Call Center Member Relations Unit.
- The Call Center has 7 positions, and for over two years, they have not been fully staffed. In July, 2 employees resigned, leaving 3 vacant positions in the Call Center.
- In June-July, there were 11,419 calls received in the Call Center queue, of which 6,346 were handled immediately, and 2,817 requested a callback. Of those, 2,341 were handled. This means that 2,732 callers had to call back a second time.

Responding to Vice Chair Goff, Ms. Lujan said NMERB has interviewed several applicants. The ones who are qualified and hired do not stay long because of the workload.

## 9. UPDATE ON BUILDING: LAWRENCE ESQUIBEL, DEPUTY DIRECTOR

Mr. Esquibel reported that the contract was signed and returned by the architect on August 18 and authorized by NMERB. He reviewed the next steps in the process. A schematic design should be delivered in November, followed by



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design development in December. Construction documents are expected in February, followed by bidding, permitting and construction contracts by the end of February 2022.

Responding to Vice Chair Goff on whether there has been any additional discussion on a hybrid model that would include working remotely, Mr. Esquibel said that issue would not come up until the contract is put in place.

## **10. DIRECTOR'S REPORT: RICK SCROGGINS, INTERIM EXECUTIVE DIRECTOR**

### a. Agency Activities Report

Mr. Scroggins reviewed his report (pp. 198-202).

### b. Retiree Healthcare Update

Mr. Scroggins reported that the NMRHCA fund balance recently exceeded \$1 billion for the first time. On June 30, the fund balance reached \$1.056 billion.

### c. Other

None.

## **11. ELECTION OF BOARD OFFICERS**

**Ms. Cameron moved to nominate Russell Goff as Chairman. Dr. Duszynski seconded the nomination.**

**There were no other nominations.**

**The motion passed unanimously by roll call vote.**

**Chairman Goff nominated Dr. Donald Duszynski as Vice Chair. Mr. Suazo seconded the nomination.**

**Dr. Duszynski declined the nomination.**

Dr. Duszynski said he was having serious reservations about this board. He commented that the Governor's Office and DFA should provide assurances to board members that they will provide a more open, collegial and transparent line of communication. He would like to know, for example, why Steven Gluckstern was





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dismissed on June 10 by the Governor. There was no due process, and he thought it was done rudely and unethically, since no one had accused him of negligence, incompetence or malfeasance as a reason for the dismissal. He pointed out that the board voted unanimously to appoint Mr. Gluckstern as board chair, and the Governor's dismissal "just throws a draconian shadow over us because it undermines the concept that we have the authority to make the best decisions for this board." The Governor indicated that she was exercising her authority to remove Mr. Gluckstern under Article 5, Section 5 of the New Mexico Constitution from his Governor-appointed position "effective today, 6 PM, Mountain Standard Time." Since there is no such thing as Mountain Standard Time in New Mexico on June 10, he thought the letter was invalid. He added, "What were the reasons he was fired? I don't like the attitude that, well, he was just being too aggressive, so too bad, get out."

Dr. Duszynski said he has been on the board since July 2014, and they have been trying to do salary adjustments throughout that time, and virtually all of the board's requests have been denied by the Department of Finance. DFA has refused to listen to the board's reasoning or to enter into any substantive and open discussion about why the board feels those salary adjustments are necessary. He questioned why DFA didn't use Treasurer Eichenberg, a member of DFA, to open a meaningful discussion about those salary adjustments.

Dr. Duszynski added that, while he and the entire board are very grateful to Rick Scroggins for coming out of retirement to serve the board as Interim Director, he wondered how much longer this was going to continue.

Ms. Cameron commented that Dr. Duszynski was raising some very valid points but suggested that the board continue with Election of Officers.

**There were no other nominations for Vice Chair.**

Ms. Cameron offered to serve as Vice Chair but only if the board agreed.

**Chairman Goff moved to nominate Mary Lou Cameron as Vice Chair. Mr. Suazo seconded the motion.**

**There were no other nominations.**

**The motion passed by roll call vote, with Dr. Duszynski abstaining.**

**Chairman Goff nominated Dr. Matías Fontenla as Secretary.**



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**Dr. Fontenla declined the nomination, stating that he lacked the necessary expertise as a new member of the board.**

**Chairman Goff nominated Larry Magid as Secretary. Ms. Cameron seconded the motion.**

**There were no other nominations.**

**The motion passed unanimously by roll call vote.**

**12. EXECUTIVE SESSION: 11:40 a.m.**

- a. Pending litigation in which the board is a participant (session closed per NMSA 1978, § 10-15-1(H)(7). Update regarding:**
  - i. NMERB v. Debbie Romero and Dept. of Finance and Administration, Case No. D-101-CV-2021-00353. Mark T. Baker (Peifer, Hanson, Mullins & Baker, P.A.); legal counsel to the board; and**
  - ii. Jan H. C. Goodwin v. Governor Lujan Grisham et al, Case No. 1:21-cv-00483 (U.S. District court, New Mexico) Luke A. Salganek (Miller Stratvert P.A.); legal counsel to the board**
- b. Limited personnel matters (session closed per NMSA 1978 § 10-15-1(H)(2): Update regarding Executive Director search and pay.**

**Chairman Goff moved to enter executive session for the following reasons:**

- i. pursuant to Section 10-15-1(H)(7) of the Open Meeting Act to discuss pending litigation in which the board is a participant, specifically, NMERB v. Debbie Romero/DFA, Case No. D-101-CV-2021-00353; and Jan Goodwin v. Governor Lujan Grisham et al, Case No. 1:21-cv-00483; and**
- ii. pursuant to Section 10-15-1(H)(2) of the OMA to discuss the Executive Director search and pay.**

**Mr. Suazo seconded the motion, which passed unanimously by roll call vote, as follows:**

**For: Chairman Goff; Ms. Cameron; Dr. Duszynski; Dr. Fontenla; Mr. Suazo.**



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[The board came out of executive session at 12:52 p.m.]

**Chairman Goff moved that the board come out of executive session. The only matters discussed during executive session were:**

- two pending court cases in which NMERB is a participant, specifically NMERB v. Debbie Romero/DFA and Jan Goodwin v. Governor Lujan Grisham et al, and
- an update regarding Executive Director search and pay.

**Dr. Fontenla seconded the motion, which passed unanimously by roll call vote, as follows:**

**For: Chairman Goff; Dr. Duszynski; Dr. Fontenla; Mr. Suazo.**

**Not present for the vote: Ms. Cameron.**

**13. ACTION FROM EXECUTIVE SESSION:**

None.

**14. NEXT MEETING: FRIDAY, OCTOBER 15, 2021 – ALBUQUERQUE OR VIRTUAL MEETING**

**15. ADJOURN: 12:55 p.m.**

  
\_\_\_\_\_  
Russell Goff, Chairman

ATTEST:

  
\_\_\_\_\_  
Larry Magid, Secretary